WORLD CHRONICLE

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JOURNALISTS: Claude Robinson, Inter Press Service
Robert Cohen, Latin America Feature Service
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SYNOPSIS

Goran Ohlin, United Nations Assistant Secretary-General for Development Research and Policy Analysis, discusses major obstacles to the Third World's economic growth and development. He believes that the current interest in providing aid to Eastern European countries is not detrimental to developing countries, but rather that it is beneficial to the entire world.

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VOICE From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns and this is WORLD CHRONICLE.

In April 1990, at a Special Session of the United Nations General Assembly, the world community will again focus its attention on the global economic situation, particularly the widening gap between rich and poor nations. How to reactivate growth and development in the Third World, and how to shape the path to a more equitable world economy are some of the major challenges facing the Special Session.

Our guest today, Goran Ohlin of Sweden, is United Nations Assistant Secretary-General for Development Research and Policy Analysis. He will be interviewed here at United Nations Headquarters in New York by: Claude Robinson of Inter Press Service; Robert Cohen of the Latin America Feature Service; and Obi Emekekwue of the News Agency of Nigeria.

For some background information, here's a report from our correspondent, Steve Whitehouse:

WHITEHOUSE: The 1980's have been called "a decade lost for development". Global economic growth in the past ten years has been uneven and lower than in both the 1960's and 1970's. Developing countries, particularly those in Africa and Latin America, have borne the brunt of the decline in growth. Some countries have even experienced negative growth with living standards actually falling sharply.

What are the reasons for these economic setbacks? One is the recession in industrialized countries, which in the early '80s reduced the demand for commodities. The collapse in commodity prices, such as those in the mining and agricultural sectors, has been particularly devastating for the many countries in Africa and Latin America.

Their economic difficulties have been compounded by the high interest rates. Now, unpaid Third World debt has reached over $1,000 billion. Many indebted countries have found it impossible to pay back.

The world's financial flow has reversed. By 1989, rich countries received billions more dollars in loan repayments than they give in new aid and investment. However, economic crisis in the developing world was not universal. South East Asia was able to maintain the growth rate of the '70s, with some countries expanding rapidly.

China and India, previously viewed as facing severe development constraints, fared surprisingly well. Even so, they continue to be low-income countries where most of the world's poor live. The economic slowdown has caused acute suffering for hundreds of millions of individuals. The number of people living in poverty has increased. They now exceed one billion, more than one-fifth of the world's population.

Present global economic trends and policies allow developed market economies to expand. Meanwhile, developing countries continue to deteriorate. If this continues, the economic gap between the richest and poorest countries will become wider than ever before.

Overcoming these major difficulties requires a rethinking of present world development policies and arrangements for international economic co-operation. These are the challenges facing the United Nations Special Session on Economic Co-operation.

LITTLEJOHNS: Mr. Ohlin, from the standpoint of the Third World countries, the timing of this Special Session is perhaps not all that felicitous because as we all know, the priorities now seem to be going to Eastern Europe, including even the Soviet Union which until fairly recently was considered to be a superpower. How do you think the Third World countries are going to stack up in this priority situation?

OHLIN: You're quite right that the Third World is worried but I think that one of the purposes of the Special Session will be to send out a reassuring signal and make it perfectly clear that the events in Eastern Europe and the Soviet Union are not going to be detrimental to the South, to the Third World, to the developing countries, that on the contrary when you see this in perspective the end of the cold war will bring a great many benefits to the whole world, not least a relaxation of tensions which a continent like Africa for instance is badly in need of. Now on the financial side it is too early to say because my impression is that Eastern Europe is not going to be a drain. They're not asking for aid in the usual sense they're asking for investments. They're going to generate many of these investments themselves, others are going to come from the private sector so my assessment is very positive.

LITTLEJOHNS: But the Third World needs investment too, surely?

READER

OHLIN: Of course they do, but they tend to come in the case of Africa out of public funds. That's a different kitty if you will, and in the case of Latin America, and in Africa, we first have a debt problem to take care of which is very high on the list of priorities. That's not really affected by what's happening in Eastern Europe. There's a debt problem there too but I think it's somewhat perverse to turn what is obviously a very positive development in the world into a great threat. I don't think it is a great threat, I think it's an opportunity.

LITTLEJOHNS: If special sessions, Mr. Ohlin, could solve these problems they surely would have been solved long ago, is this one going to be any more successful than the previous ones?

OHLIN: When the members of the United Nations agreed to hold this Special Session it was because they all saw some benefit to them in this, not necessarily the same. They all have economic problems although these problems may be quite different in different parts of the world and of course by the time the Special Session came about the world had changed even more. When the proposal was first raised nobody had any idea what was going to happen in Eastern Europe so what then were the reasons why people thought the Special Session would be a good idea? Some countries, especially the Latin Americans, wanted to draw attention to their debt problem. They wanted to use this occasion to raise the issues to a level of great publicity, visibility if you will. Now, the industrialized countries wanted this Special Session to be an occasion to discuss and agree on something terribly important, namely a fundamentally new approach, new consensus, new agreement on what economic growth and development requires. Just as in Eastern Europe people have come to agree that you cannot produce the kind of meaningful development merely by state orders, that you have to draw more on the people themselves, on decentralized

initiatives, on innovation, therefore you have to have the right incentives, you have to give more attention to the human element. I think there is a very important difference between the approaches in the late '80s and the present day and also say a decade ago.

ROBINSON: Mr. Ohlin, you talk of the need for a fundamentally new approach to development but as you know a lot of thoughtful people are concerned that there is a growing perception that the market is a panacea for all our economic problems and with the fall of communism in Europe, with the success stories in South Asia, there is even stronger pressure for the rest of the world to fall in line and to leave economic development purely to market forces. Is this what the Special Session is about, simply to preach again the magic of the market place?

OHLIN: I don't think so. I think experience is very clear on this point. Markets function only in a framework of government policy and with stabilization and supervision and a legal machinery and so forth. There's no absolute contrast between government and the market. A mix of the two is what has emerged in all countries with any historical experience and that's what is going to happen again. So the task really is not to install uncontrolled markets which will go haywire and get lost in speculative orgies but rather to remove a great many of the obstacles against individual action and initiative and investment which do exist in most countries. The problem in a great many developing countries is a sort of mercantilism, an excessive system of regulation that has grown up over the years and which makes it very, very difficult to undertake anything new.

ROBINSON: But, Sir, we've seen a number of developing countries in the '80s, sometimes with the prodding of the International Monetary Fund and the World Bank, do in fact

remove a lot of these obstacles, at least they say so, and yet what we see are riots in Venezuela, in Zambia, and yet to see a real success story of structural adjustment and the switching to these kinds of reforms? Is it too early or are we too impatient?

OHLIN: I think both. In the first place I think quite a few countries have done reasonably well by giving attention to these problems but when people riot in Venezuela it's because food is expensive and because the country, like many other countries as we just heard in the introduction to this programme, have been suffering from appalling falls in commodity prices which have made the countries poorer. That's got nothing to do with the government policies, they can't change that. What they have to do, of course, is to get their growth and development process started again so that they can climb out of the hole in which they are, but as we heard, the '80s have been very rough on the developing world. Some countries, notably in Asia -- the big ones and the small ones in Asia -- have done very well but in Africa and Latin America the fall in commodity prices has been the fundamental disaster. They lost about one quarter of their national income and at the same time populations have grown, so obviously they are in a very difficult spot and one purpose of the Special Session has been to make this very clear and to mark an international agreement to help these countries come back.

COHEN: Mr. Ohlin, in a world of shrinking resources, burgeoning population, environmental threats, and increasingly explosive gaps between rich and poor nations there seems to be no alternative to international economic co-operation however, how far can co-operation go before it crashes with the seemingly ever more popular concept of free markets and the economic competition that underlies the free

market? The Group of 77 is calling for a new global covenant for this kind of co-operation, what are the limits and what are the possibilities of this kind of co-operation?

OHLIN: Let me try to put this very simply. In today's world all countries are fundamentally dependent on one another. No country can manage by itself because it exports to the rest of the world, it imports what it needs from the rest of the world so it can only solve its problems by domestic means up to a certain point but then there are, all of them including the United States, Japan, the richest countries as well of the poorest ones, they all are fundamentally dependent upon what happens outside of the country and they have no control over that. Therefore, there has to be international co-operation to make it reasonably certain that other countries are not going to take steps which are going to harm you and in return you promise that you're not going to do anything that will harm them and this is why people talk about international co-operation on trade for instance and on investments, on exchange rates and things like that because all countries are wrapped up in this international economy which no one really controls. The difficulty is of course that they all have different interests and they would like to sell more to the others but of course they can't sell more than the others will buy so everybody has an interest in the prosperity and the stability and the growth of the world economy.

LITTLEJOHNS: The programme is **WORLD CHRONICLE**. Our guest is Goran Ohlin, United Nations Assistant Secretary-General for Development Research and Policy Analysis.

COHEN: This is related to Latin America. During his recent visit to Latin America, US Vice President Dan Quayle according to the Washington Post, was told everywhere he went

that the IMF with its austerity programmes has replaced communism as the threat to democracy. These programmes hurt the most vulnerable social sectors. They provoke political unrest as we mentioned before, and have not yet provided the magic formula for economic growth. What can be done about policies which have this big downside but at the same time seem necessary to get economies readjusted?

OHLIN: The IMF has become a scapegoat and doesn't really deserve the bad name it gets when people complain about it. Actually, many governments are happy to be able to blame the IMF for policies which they know they would have to undertake anyway. IMF has not invented the economic problems of these countries, it is helping them to get out of them. Sometimes you think that IMF is staffed by monsters, cruel people who wish to impose suffering upon their clients but this is obvious nonsense. It's not the way it is. Now the trouble is that IMF is asked to help people, help governments in very difficult situations and these problems of adjusting to the loss of commodity revenue, changing prices in the world which force you to shift your resources from one industry to another, including people -- and people don't like to be shifted around, there may be unemployment in the process -- now all these things are painful and governments hate to take the responsibility for such painful things. Nonetheless, I assure you that most countries know perfectly well that they have to be done. If you take a country like Nigeria, it started a programme like this without the IMF. Many countries in fact are doing exactly the same things but when the IMF gets into the picture it's because they want to borrow from the IMF and the IMF sets up conditions and says, "Yes, we'll lend you the money if you use it rightly." But the problems were not invented by the IMF.

LITTLEJOHNS: We should explain perhaps that IMF is the International Monetary Fund, one of the two major financial institutions in the U.N. system.

EMEKEKWUE: Mr. Ohlin, in the light of our past experience, I refer to the apparent reluctance of the developed countries to offer genuine assistance to make the developing countries self-sustaining economically, what reason do we have to expect any real change of heart now?

OHLIN: The problem of development assistance is by now something that's been with us for 25 years or more, 30 years. The question is not simply that it's not enough for it, it's very hard to tell how much there should be of it. What is true is that most countries of the world have committed themselves to giving more aid than they do and they don't seem to take the commitment very seriously. This is an unfortunate thing indeed because it erodes one's confidence in commitments of that kind. On the other hand, there is a great deal of concern about what aid really contributes to development and I think that concern is shared even in countries which receive aid. They're not sure that aid is the best thing. In fact, they all say that they want to become self-reliant and independent of aid but the problems clearly are that to put aid into a country at the same time as say coffee prices go down, the oil price goes down, cotton price goes down, the country gets poorer, you're trying to turn the tide at a very difficult moment in history. In fact, all the aid that is given, and I think it's a fair amount by all historical standards and Africa for instance gets a great deal of aid, but all that aid is just a drop in the bucket compared to the great shifts of income, internationally, which come about when commodity prices change. The people who buy these commodities become better off because

they get them cheaper and the people who produce them become poorer. It's as simple as that and it's a matter of hundreds of billions of dollars that are shifted around this way.

EMEKEKWUE: Mr. Ohlin, once again, going to the question of transfer of technology, many in Africa believe that the way out of the economic problems they have right now is through transfer of technology, what do you think should be done to change the barriers that have been hindering their transfer?

OHLIN: I think the principal barrier to the transfer of technology is education. Education is the key. Obviously technology is transferred through trade and investment and so forth as well but the fundamental barrier to the absorption of technology, to the spread of technology, is education and not just technical education, but general education.

ROBINSON: Mr. Ohlin, we spoke earlier about the problem of debt and many developing countries are spending roughly fifty cents on every dollar of their revenue to service their debt, some even more than fifty cents on the dollar, can we seriously talk about reactivating development in such countries when the debt overhang is such a huge burden on these countries?

OHLIN: No, I quite agree with you. I think the removal or the overcoming of the debt problem is an absolute must and fortunately the insight of that is spreading. After all we do have an international debt strategy which is now seeking to come to grips with it, far too slowly.

ROBINSON: But how can a special session make us move further towards that solution that you're talking about?

OHLIN: The Special Session on this, as on all other subjects, is essentially a way of bringing an issue to the attention of the world, indicating that governments agree on the interpretation of the problem and of the solution and I think that, in the long run, is immensely important.

ROBINSON: Are creditors now ready to recognize that they're not going to be paid back the money that they were owed?

OHLIN: Many countries recognize that they won't, the only question is who is going to be the first one to write-off its debts. Obviously, if everybody writes off their claims, I myself if I am the last creditor might be able to get the money back, so people want to be last.

ROBINSON: Not first.

COHEN: Mr. Ohlin, on this question of foreign debt, as you know Latin America's foreign debt is over $400 billion today and what's your assessment of the effectiveness to date of the so-called Baker and Brady Plans which I think the major breakthroughs have been Mexico and Venezuela to date? Has this brought about substantial relief and the economic growth that everyone says is supposed to be the product?

OHLIN: The Baker Plan was based on the expectation that the banks would come up with new money and when that didn't happen that Plan didn't work very well. The Brady Plan certainly marks an innovation in that it includes debt relief as one of the options and this big Mexican operation which has just been undertaken is certainly placed by the Mexican themselves. They are happy with it. Many others worry about it and think that it didn't really give Mexico very much after all that negotiation, nonetheless if it succeeds in luring Mexican money

back home again, in repatriating capital that has been invested in the United States and elsewhere, then it would certainly have been a success and that is the hope. After all, many of these countries which have serious debt problems have also managed to scare investors away and part of the reason why one has to overcome this problem is that one has to try to get people to invest in their own countries. Before they do that foreigners are not likely to do it.

LITTLEJOHNS: Mr. Ohlin, that's all the time we have. Thank you for joining us on this edition of **WORLD CHRONICLE**. A very interesting subject and I'm sure everyone is most concerned about it.

Our guest has been Goran Ohlin, United Nations Assistant Secretary-General for Development Research and Policy Analysis. He was interviewed here at United Nations Headquarters in New York by: Claude Robinson of Inter Press Service; Robert Cohen of the Latin America Feature Service; and Obi Emekekwue of the News Agency of Nigeria.

I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of **WORLD CHRONICLE**.

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Transcripts of the programme may be obtained free of charge by sending a stamped, self-addressed envelope to: **WORLD CHRONICLE**, United Nations, Room S-837, New York, New York 10017, USA.

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